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# THE MANUAL OF

# BOOK-KEEPING

43. 894.

Bodleian

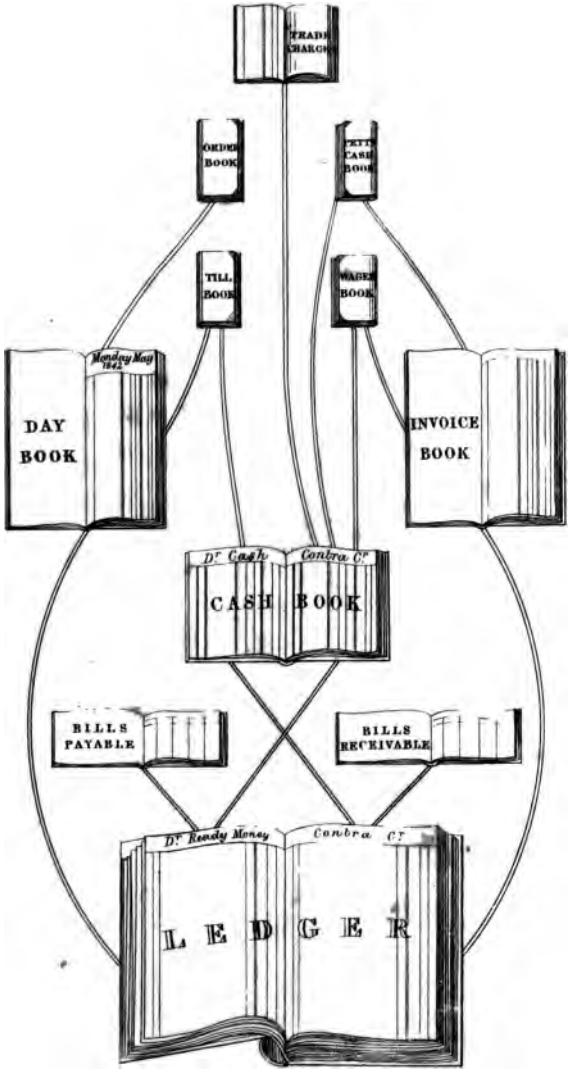
# THE

# WHOLESALE AND RETAIL TRADER'S

# MANUAL

OF

# BOOK-KEEPING.




*Bell & Wood, Fleet Street, 1843.*

# THE MANUAL

OF

# BOOK-KEEPING;

OR

## PRACTICAL INSTRUCTIONS

TO THE

## MANUFACTURER, WHOLESALE DEALER,

AND

## RETAIL TRADESMAN,

FOR

**Keeping and Balancing their Books**

IN

## AN EASY AND SIMPLE MANNER.

---

BY AN EXPERIENCED CLERK.

---

"He that indulges negligence, will quickly become ignorant of his own affairs; and he that trusts without reserve, will at last be deceived."—DR. JOHNSON.

LONDON:

PUBLISHED BY BELL AND CO., FLEET STREET.

AND SOLD BY ALL BOOKSELLERS.

1843.

*To the Right Honourable the Lord Mayor, Aldermen, and Common Council of the City of London.*

My Lord and Gentlemen,

The prosperity and renown which so eminently distinguish the City of London, and make it the Capital not of England merely, but of the whole world, have been derived from the trade and industry of its Citizens. A work having for its object to make that industry and trade a source of perpetual wealth to its producers, naturally seeks the patronage of those who, duly appreciating the science of Book-keeping, have raised themselves by their abilities and perseverance to be the Municipal Governors of the Metropolis of Nations; and, however humble the pretensions of the following pages, it is hoped that such patronage will not in the present instance be withheld.

I am,
My Lord and Gentlemen,
Yours, with great respect,
H. T.

11, Jewin Street,
*December*, 1842.

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# THE
# WHOLESALE AND RETAIL
# TRADER'S
# MANUAL OF BOOK-KEEPING.

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## INTRODUCTION.

THE science of Book-keeping, although brought to great perfection in this country by the Incorporated Trading Companies and large Mercantile and Manufacturing establishments, is but imperfectly understood by a very great majority of Wholesale and Retail Dealers, who annually suffer enormous losses in consequence. The indifference thus shown to their true interests, by tradesmen otherwise clever and acute, has its origin in the defective mode of teaching Book-keeping at our public and private schools,

where, if taught at all, it is only from an elementary text-book, and by teachers who possess no practical knowledge whatever of the subject. Under such tuition the science appears obscure and intricate, and the pupil soon becomes entangled in a confused labyrinth of *Debits* and *Credits*, without the possibility of making the matter clear and palpable to his understanding. Hence, after obtaining but a partial knowledge of Book-keeping by the Italian or Double-Entry system, he returns home to follow his father's trade, or becomes an apprentice in some other business; and ultimately discovering that the knowledge of Book-keeping which he derived from the "Tutor's Assistant" is entirely inapplicable to his particular calling, he looks upon this important attainment as useful only to merchants, and either abandons it altogether, or substitutes some crude imperfect plan of his own, or, what is still worse, adopts the more imperfect plan of his predecessor.

The whole of the wealth of this country,

derived from mines, collieries, fisheries, colonies, agriculture, and manufactures, as well as the produce brought from foreign lands, amounting altogether to many hundred millions of pounds annually, is distributed to the consumer through the instrumentality of the wholesale and retail dealer, who must of necessity endure serious losses unless the accounts of these vast transactions be kept in a manner clear and explicit.

These important distributors of wealth may be arranged into distinct classes, such as distributors of food and distributors of clothing—classes occupied in the procuring of shelter, and classes occupied in the working and manufacture of metal. Of these classes, perhaps the most numerous is that occupied in the *distribution of food* and *necessaries;* such as Bakers, Butchers, Grocers, Fishmongers, Fruiterers, Oilmen, Tallow-Chandlers, Poulterers, &c., to whom Book-keeping may be said to be unknown. In the early state of society, when a money value began to supersede the use of barter,

it was the custom to keep a record of business transactions by scores, and a trace of this practice may yet be seen on the chimney-board of the village ale-house, and on the wainscot of the shop. As trade became extended and knowledge progressed, the first books would be merely a transfer of the chalk-scores to paper, and the practice of rubbing out would be imitated as nearly as possible, by drawing lines over them with a pen. Beyond this a great number of tradesmen have not advanced; for the custom of crossing out, which still exists, is evidently a vestige of the former fugitive manner of registering accounts. A few large dealers doubtless keep their books systematically and correctly, but the majority do not know even the elements of Book-keeping; a quire of "outsides" paper, or a second-hand book from a stall, is all the material they employ for keeping a record of their pecuniary dealings, or of ascertaining their net annual profit. Surely, if the nature of their business does not seem to demand the use of a better

system, the duty they owe to their families, of not contributing more than their fair quota to the Income Tax, imperatively requires it.

The next most numerous class of distributors is that occupied in the *distribution of clothing;* such as Linen-Drapers, Haberdashers, Hatters, Hosiers, Furriers, Umbrella-makers, Clothiers, Silk Mercers, Straw Bonnet-makers, Shoe-makers, and Tailors. The amount of wealth that annually passes through their hands is enormous, and although most of these trades require expensive premises in central situations, and give a large amount of credit to their customers, few, with the exception of the wholesale dealers, employ any perfect system of Book-keeping.

The next most important branch of national industry is that of *providing shelter,* which furnishes occupation for another very numerous class; such as Builders, Brick-makers, Masons, Timber-merchants, Carpenters, Bricklayers, Plumbers, Glaziers, House Painters, and Lime Burners, very few

of whom are known to keep their books in a correct and systematic manner.

The next most numerous class of tradesmen comprises those who find occupation as *workers and dealers in metal*, including Iron Founders, Ironmongers, Nailers, Wire Drawers, Braziers, Gas Fitters, Tinmen, Saddlers, Cutlers, Gun-makers, Watch-manufacturers, Jewellers, Silversmiths, and Opticians, to whom similar observations will apply. If to this classification we add nearly all the manufacturers of small fibrous and metallic articles, as well as numerous tradesmen dealing in sundry goods contributing to the comfort, convenience, and elegances of life, and the various miscellaneous occupations of Carriers, Dyers, Wharfingers, Printers, Booksellers, Paper-makers, Stationers, &c., we have before us at one view the enormous number of manufacturers and traders who totally neglect, or give but small attention to, the important science of Book-keeping.

One of the evils that naturally flow from this state of things is the UNCERTAINTY in

which all the affairs of such parties are involved. If a tradesman does not know the net annual profit of his business, how can he make a correct return to the Income Tax assessment, or regulate the yearly expenditure of his family? He cannot tell whether he is living on the *profits* of his trade, or on his *capital*, nor if that capital be increasing or diminishing. Nor can he tell what the total expenses of his business amount to, nor what he loses by bad debts, nor the loss he sustains by allowing discounts and abatements, which, insignificant as they appear when a few pence or shillings are taken off an account, yet amount at the end of the year to a very considerable sum. Hence many tradesmen, whose returns in business are large, or who occasionally sell a parcel of goods at a great profit, immediately calculate what the week's earnings amount to, and regulate their expenditure to that annual scale, entirely overlooking the *expenses* of rent, taxes, lighting, repairs, clerks' and porters' salaries, abatements, petty charges, bad debts, &c.; and

thus they go on for years, till their capital is exhausted, when finding, for the first time in their lives, that they have not sufficient cash to provide for an engagement falling due, they ask a relation or friend to assist them with a loan till next month, or next quarter, or till the turn of Christmas. But, alas! affairs soon become worse; the same difficulty occurs with the next payment, which increases each time in an accelerated ratio, until death or bankruptcy closes the scene, sweeping into the gulph of ruin, and involving in one common catastrophe, trader, wife, and children, and sometimes the friend or relative who interposed with pecuniary assistance.

But, if any misgiving should come across their minds that they are travelling in a downward course, few know how to arrest it; for being ignorant of the seat of the disease, how is it possible to apply a sound remedy? They may be living beyond their income, or they may have a good and profitable business, which yields them no income in consequence of the expensive way in

which it is carried on; but whatever be the cause, they have not the means correctly to ascertain it. Strange that men when called upon to officiate as Auditors of parochial and other accounts, should insist upon every detail being given, and minutely inspect every item of expenditure, and yet be altogether indifferent to what relates to their own prosperity and success!

Another more serious consequence arising from the want of a proper system of Book-keeping is the

ENORMOUS LOSS

annually sustained by those who fall into this error. These losses proceed from several sources, but they may all be traced to a *bad* or *defective* mode of Book-keeping. First comes the loss arising from buying too many goods, or over-stocking. This is an error into which most tradesmen are apt to fall, even if their books are kept correctly, but when *that* is not the case, the neglect soon results in a serious evil. While their credit continues good,

tradesmen are daily solicited to buy goods, either by the representatives of those houses with whom they already have accounts open, or by others who are competitors in the same field; and having no proper books to refer to, when strongly pressed to buy, they purchase very large quantities for the sake of getting a small reduction in the price. If, however, they buy more than they can sell before their own day of payment for the goods arrives, they not only sacrifice the interest of the money locked up in that surplus and unnecessary stock, but in nine cases out of ten, even when the articles are not of a perishable description, they are at last obliged to dispose of them at or below the prime cost, thus *losing the interest* of money, and *trading without a profit.* If the goods are subject to the caprice of fashion, or are of a perishable nature, a reduction of from 5 to 20 per cent. must be made in order to get rid of them.

The next source of loss arises from paying incorrect accounts. When no Bought-Book is kept, there can be no other means of ascer-

taining if a statement of account be correct, than by looking up the invoices and comparing them with the account rendered. But this occupies time, and the invoices are not readily to be found; so, after putting off the payment once or twice because the account is not examined, when the collecting clerk calls again, rather than make any further excuses, or betray the slovenliness with which the business is managed, the account is paid without *deducting the returns*, the *overcharges*, or any *errors* that may accidentally have crept in. In the course of a year, more money is lost, in this way alone, to every tradesman who néglects the practice of Book-keeping, than would suffice to pay for proper books, and a clerk every evening to keep them, without taking into calculation the amount lost, by paying to others as slovenly as himself the *same account twice over*.

In addition to heavy losses from these causes, many traders are subject to others, which are greatly aggravated by imperfect Book-keeping. If it be necessary that the

trading transactions of individuals should be clear and explicit, it is doubly necessary in Partnership Accounts; yet it is a fact, that these joint operations are frequently carried on in the same loose way, till at length a dissolution is inevitable, and great expense is incurred by calling in Accountants and Arbitrators, which might have been avoided had the books been kept in a proper manner. Nor is this the worst of the evil; prosperous concerns are suddenly involved in difficulties by permitting agents, consignors, and partners to overdraw their accounts, and numerous are the instances of insolvency and bankruptcy caused by this fatal omission.

Such are some of the evils that result from neglecting in trade what I have already designated the *important* science of Book-keeping. The following pages have been written to explain to the Manufacturer and Retail Tradesman what that science really is, and to show that great correctness may be arrived at, and important results deduced, by means exceedingly simple and easy.

## BOOK-KEEPING

is the art of recording manufacturing or trading transactions in an explicit and systematic manner.

A trader's books should contain every particular which relates to the business affairs of the owner, set forth in so clear and distinct a fashion that any person inspecting the books may understand them. They should exhibit the state of each branch of his business, and the amount and success of the whole; and they should be so arranged as to afford ready information on every point for which they may be consulted. The matter which the books should contain is comprehended under the following heads:—

1*st.* *The debts which are owing to the owner.*

2*nd.* *The debts which he owes to others.*

3*rd.* *The value of the goods, materials, and cash, which belonged to him at the last stock-taking.*

4*th.* *The quantity of goods he has since purchased, and their value.*

5*th.* *The quantity sold, and the value.*

6*th*. *The trade charges, or expenses of carrying on the business.*

7*th*. *The losses he has sustained.*

8*th*. *The profit he has obtained.*

The outline of the science of Book-keeping may be conveniently signified by the words "Inwards" and "Outwards." Goods, materials, productive labour, and cash brought into the business, are property "Inwards," while goods or cash going out of the business are property "Outwards," and the difference between the two constitutes the trader's profit or loss.

To ascertain this result correctly, the manufacturer, wholesale dealer, and retail tradesman, will require some or all of the following books, namely:—

Day-Book, or *Goods-sold book*.
Invoice-Book, or *Goods-bought book*.
Cash-Book.
Ledger.
Till-Book, or *Ready-money book*.
Petty-cash Book.
Wages-Book.

Trade-Charges Book, or *Petty-expense book.*

Bill-Book, *Payable and Receivable.*

Some manufacturers, and traders in goods which have to be prepared or got ready, find it convenient to keep an Order-Book, that nothing may be forgotten. This is a very good plan, because if the orders are entered as they come in, it shows how long each order has been in the house, but as on the completion of the order the entry must appear in the Day-Book, the Order-Book can only be regarded as a Memorandum-book, and of course is not essential to a correct system of Accounts.

The first four Books are indispensable to every trade; the last five are useful to some only. For example, the Wages-Book is not necessary to the retail dealer, nor the Till-Book to a wholesale dealer or manufacturer. I shall, however, describe the use of all, leaving it to the judgment of each particular person to dispense with such as he may deem unnecessary.

## OF THE DAY-BOOK.

THE DAY-BOOK, or *Goods-sold Book*, contains, as its name implies, a daily account of all *goods sold*, and the name of the purchaser. It should require no aid from the memory, but should be fully intelligible to every person, however unacquainted with the business; at the same time that it should be written with all convenient brevity. Each article should be entered as soon as the transaction takes place, and should be clearly expressed. The Day-Book should be kept with great care, because it contains the materials of all the debit accounts, and any mistake here will occasion a similar error in the Ledger. As it contains the original entry of every transaction, it would, in case of disputed account, or law-suit, be the book that must be exhibited to the Arbitrator or the Court. This book must also show the *total amount* of the sales for each month. That you may thoroughly understand the use of the Day-Book, I give you a specimen of the mode of keeping it, and the entries for an entire month:—

*London, January 2nd*, 1843.

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | LONGMAN & Co. | | | | | | |
| 15 | 100 Reams Demy ..... 21/6 | 107 | 10 | 0 | | | |
| | 50 Reams Royal..... 32/ | 80 | 0 | 0 | | | |
| | | | | | 187 | 10 | 0 |
| | 3rd | | | | | | |
| | LEAF, SON & Co. | | | | | | |
| 25 | 1000 Reams Double Small-hand 3/6 | | | | 175 | 0 | 0 |
| | 4th | | | | | | |
| | BEDWELLS & YATES. | | | | | | |
| | cwt. qr. lb. | | | | | | |
| 30 | 100 Reams Royal-hand, 25 3 7..34/ | | | | 43 | 17 | 8 |
| | 5th | | | | | | |
| | W. CRAWSHAY & Co. | | | | | | |
| 35 | 20 Reams Imperial Cap ..... 25/ | 25 | 0 | 0 | | | |
| | 10 Reams Bag Cap ..... 15/ | 7 | 10 | 0 | | | |
| | | | | | 32 | 10 | 0 |
| | 6th | | | | | | |
| | NEVILLE, SONS, & ROSSELL. | | | | | | |
| 42 | 10 Reams Post Paper..... 8/ | 4 | 0 | 0 | | | |
| | 2 Reams Foolscap..... 12/ | 1 | 4 | 0 | | | |
| | | | | | 5 | 4 | 0 |
| | 7th | | | | | | |
| | READY MONEY. | | | | | | |
| 58 | Sundries as per Till-Book ..... | | | | 25 | 3 | 6 |
| | 9th | | | | | | |
| | JOSEPH TRAVERS & Co. | | | | | | |
| 54 | 10 Reams Cartridge ..... 30/ | | | | 15 | 0 | 0 |
| | 10th | | | | | | |
| | JAMES MORRISON & Co. | | | | | | |
| 56 | 500 Reams 10lb. Small-hand .... 4/ | 100 | 0 | 0 | | | |
| | 1000 Reams 8lb. ditto ..... 3/6 | 175 | 0 | 0 | | | |
| | | | | | 275 | 0 | 0 |
| | 11th | | | | | | |
| | YEATS & ACOCKS. | | | | | | |
| 66 | 10 Reams Foolscap ..... 12/ | | | | 6 | 0 | 0 |
| | Carried forward ..... | | | | £765 | 5 | 2 |

*London, January 13th, 1843.*

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | Amount brought up.. | | | | 765 | 5 | 2 |
| | WHITTAKER & Co. | | | | | | |
| 90 | 50 Reams Double Foolscap .....25/ | — | — | — | 62 | 10 | 0 |
| | —14th— | | | | | | |
| | READY MONEY. | | | | | | |
| 58 | Sundries as per Till Book ..... | — | — | — | 20 | 1 | 6 |
| | —17th— | | | | | | |
| | HERRING, BROTHERS, & Co. | | | | | | |
| 94 | 10 Reams Imperial Cap ..... 20/3 | — | — | — | 10 | 2 | 6 |
| | —21st— | | | | | | |
| | READY MONEY. | | | | | | |
| 58 | Sundries as per Till-Book..... | — | — | — | 27 | 6 | 2 |
| | —24th— | | | | | | |
| | ROBARTS, CURTIS & Co. | | | | | | |
| 120 | 20 Reams Letter Paper..... 8/ | — | — | — | 8 | 0 | 0 |
| | —25th— | | | | | | |
| | PICKFORD & Co. | | | | | | |
| 124 | 280 Reams Double Foolscap .... 10/ | — | — | — | 140 | 0 | 0 |
| | —26th— | | | | | | |
| | MUNT & BROWN. | | | | | | |
| 128 | 20 Reams Coloured Tissue .... 10/6 | — | — | — | 10 | 10 | 0 |
| | —27th— | | | | | | |
| | CHAPMAN & HALL. | | | | | | |
| 150 | 200 Reams Royal ..... 30/6 | — | — | — | 305 | 0 | 0 |
| | —28th— | | | | | | |
| | READY MONEY. | | | | | | |
| 58 | Sundries as per Till-Book..... | — | — | — | 23 | 7 | 6 |
| | —30th— | | | | | | |
| | BARCLAY, PERKINS & Co | | | | | | |
| 163 | 20 Reams Letter Paper..... 8/6 | — | — | — | 8 | 10 | 0 |
| | 59 | | | | £1,380 | 12 | 10 |

You will observe that the month is written in full at the top of the page, and the transactions are separated from each other by a line drawn across the page to the double line of the inner column. In the middle of the line there is left a blank space for inserting the day of the month. The left-hand column is to contain the folio of the account in the Ledger, and the money column, on the right, is to have the *totals only* of each sale carried out into it. This is the book that must contain the account of *all* the goods "Outwards," whether sold for cash or credit; and if you take care to enter every article that is sold in this book, you will, by casting up the right-hand or "total" column, at the end of the month, see the exact amount of business you have done, and the first step towards a complete system of Book-keeping will be accomplished. I have already said that all goods sold must appear in this book, and have therefore made an entry every Saturday to "Ready Money" *for Sundries as per Till-Book.* Many persons

consider a Day-Book as being merely a book to particularise what is sold for credit, but when so regarded it can never lead to any complete result. If the goods sold for cash had not been paid for, they would have been entered to the purchaser by name, but because it was a ready-money transaction, *that* can be no good reason why the entry should be omitted in the Day-Book. To avoid unnecessary entries of small sums, the whole week's transactions are collected together in one sum, and "Ready Money" is made a debtor for goods to that amount. If your ready-money transactions are large, let them be entered in the Day-Book daily, but if small, once a week will be sufficient; but whether you enter them daily or weekly, see that the money in the till agrees with the amount entered in the Till-Book, and if you cannot make them agree, enter the amount as it stands in the till. If you again look at the specimen page of the Day-Book, I think you will clearly comprehend that it must contain the whole substance of the sales, whether

*for cash* or *credit*, and all returned goods must be regarded as property "Outwards," and must be entered in the Day-Book as if sold at a profit. As this book contains the particulars of what every customer owes, many tradesmen keep no other book, but where the business is large, the mere labour of consulting such a record is very great. For instance, if it were required to know how much a particular customer owes, you must look through the book from the beginning, and take out every entry—an operation which would be found not only very tedious, but much exposed to the risk of omission. To prevent these inconveniences another book is used, in which the goods sold to each person are arranged according to date, on a page with the debtor's name at the top. This book is called the Ledger, and it is to it that the figures at the left-hand of the Day-Book refer. But before I speak of the Ledger I must explain the nature of the *Goods-bought* or Invoice-Book.

## OF THE INVOICE-BOOK.

THE INVOICE-BOOK, or *Goods-bought Book*, embodies, as its title signifies, an account of all *goods purchased*, and the names of the sellers. It contains the materials of all the credit accounts; and whatever is brought into the business to be sold at a profit, whether by itself or mixed and manufactured into new fabrics, must be entered here. It is the Day-Book "Inwards," and all goods, materials, and productive labour must pass through this book. As the Day-Book shows the total amount of *goods sold* in each month, the Invoice-Book, in like manner, must show the total amount of *goods purchased* in each month; it should therefore be kept in a plain and perspicuous manner, and care should be taken that every article or thing purchased is regularly and correctly entered. That you may comprehend the object and way of using this book, I give you a specimen of the entries for a month.

*London, January 2nd*, 1843.

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | CHARLES TENNANT & Co. | | | | | | |
| | 2 Casks Bleaching Powder, | | | | | | |
| | cwt. qr. lb. qr. lb. | | | | | | |
| | 5 1 11 2 18 | | | | | | |
| 166 | 5 3 19 2 17 | | | | | | |
| | 11 1 2 1 1 7 | | | | | | |
| | 1 1 7 | | | | | | |
| | 9 3 23 ..... 2½ | 11 | 12 | 3 | | | |
| | | | | | 11 | 12 | 3 |
| | 3rd | | | | | | |
| | HODGKINSON, SON, & BURNSIDE. | | | | | | |
| | cwt. qr. lb. | | | | | | |
| 168 | 30 Bags FX Rags, 75 1 12 .... 15/ | — | — | — | 56 | 10 | 4 |
| | 4th | | | | | | |
| | ROWNSON & DREW. | | | | | | |
| | cwt. qr. lb. | | | | | | |
| 170 | 45 Bars Steel 6 2 20 ..... 40/ | — | — | — | 13 | 17 | 1 |
| | 5th | | | | | | |
| | THOMAS W. REID. | | | | | | |
| | cwt. qr. lb. | | | | | | |
| 172 | 20 0 0 Lump Alum..... 12/ | 12 | 0 | 0 | | | |
| | Loading ..... | | 1 | 6 | | | |
| | | | | | 12 | 1 | 6 |
| | 6th | | | | | | |
| | JOHN BOWER. | | | | | | |
| 176 | 2 Gro. Wine, quarts ..... 44/ | 4 | 8 | 0 | | | |
| | 4 Ditto pints ..... 40/ | 8 | 0 | 0 | | | |
| | | | | | 12 | 8 | 0 |
| | 7th | | | | | | |
| | MAGNAY, BROTHERS. | | | | | | |
| | 50 Reams News ..... 40/ | 100 | 0 | 0 | | | |
| 56 | 500 Reams Demy..... 12/ | 300 | 0 | 0 | | | |
| | 100 Reams Royal... ..... 20/ | 100 | 0 | 0 | | | |
| | | | | | 500 | 0 | 0 |
| | Carried forward .... | | | | £606 | 9 | 2 |

*London, January 13th, 1843.*

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | Amount brought up.. | | | | 606 | 9 | 2 |
| | HENRY NICHOLSON. | | | | | | |
| 198 | cwt. qr. lb. | | | | | | |
| | 66 Bags Bagging, 111 2 3 .... 10/ | 55 | 15 | 3 | | | |
| | 60 Ditto fine ditto, 100 2 0 .... 12/ | 60 | 6 | 0 | | | |
| | | | | | 116 | 1 | 3 |
| | 19th | | | | | | |
| | JOHN EVANS. | | | | | | |
| | 249 Reams Post ..... 10/ | 124 | 10 | 0 | | | |
| | 140 Reams Foolscap ..... 12/ | 84 | 0 | 0 | | | |
| 215 | 110 Reams Royal ..... 21/ | 115 | 10 | 0 | | | |
| | 5 Reams Writing ditto ..... 40/ | 10 | 0 | 0 | | | |
| | | | | | 334 | 0 | 0 |
| | 31st | | | | | | |
| 59 | Dr. PROFIT & LOSS. | | | | | | |
| 238 | To EDMUND JONES. | | | | | | |
| | Loss on his account of 15/ in the pound | 45 | | | | | |
| 59 | Dr. PROFIT & LOSS. | | | | | | |
| 260 | To UNION BANK, | | | | | | |
| | Discount on 10 Bills..... | 6 | 5 | 6 | | | |
| | PETTY CASH. | | | | | | |
| | 7th Sundries..... | 4 | 13 | 6 | | | |
| | 14th Ditto..... | 5 | 3 | 6 | | | |
| 57 | 21st Ditto..... | 2 | 15 | 0 | | | |
| | 28th Ditto..... | 1 | 5 | 6 | | | |
| | | | | | 13 | 17 | 6 |
| | WAGES. | | | | | | |
| | 7th Work..... | 27 | 10 | 3 | | | |
| | 14th Ditto..... | 40 | 5 | 6 | | | |
| 57 | 21st Ditto..... | 30 | 4 | 9 | | | |
| | 28th Ditto ..... | 15 | 9 | 6 | | | |
| | | | | | 113 | 10 | 0 |
| | 59 | | | | £1183 | 17 | 11 |

By comparing this with the Day-Book, you will perceive that they are both ruled alike, and that the entries are made in a similar manner. Indeed, this must be obvious to every one who remembers that the Day-Book contains an account of all *goods sold*, and the Invoice-Book of all *goods bought;* that the one contains the list of DEBTORS for goods sold, the other the list of CREDITORS for goods bought. The outer, or right-hand, column must contain the totals only of each entry, which must be cast up at the end of the month, to ascertain the exact amount of the purchases. The general instructions given for keeping the Day-Book will equally apply to the Invoice-Book. There are, however, three entries at the end of the month, to which I must direct your particular attention.

The first entry to be explained is one of great importance, for on your properly understanding it depends the correctness of this system of Book-keeping. To make it as clear as possible I will explain the transaction. I will suppose that Edmund Jones

is indebted to you £60, and at length calls his creditors together, and offers a composition of 5*s*. in the pound, which is accepted. You receive for your debt the sum of £15, which is passed through the Cash-Book to the credit of Jones, leaving a balance of £45. But as this balance will never be paid, and the loss must be deducted from your profits, you convert your Invoice-Book into a Journal, and make "Profit and Loss" a debtor to Jones for the amount. By this means the account of Jones is balanced in the Ledger, and "Profit and Loss" is debited with the deficiency. The next entry is of a similar character. I have presumed that you have taken some bills to your Bankers to be discounted, which they have placed to your credit, and that the discount amounts to £6, 5*s*. 4*d*. Now as you charge the Bankers with the total amount of the bills from your Bills-Receivable Book, it is clear the Bankers' account in your Ledger would not balance unless you gave them credit for the discount as well as the cash. You therefore make a Journal entry

of it (as you did with Jones's loss), by which means the amount of discount is posted to the *credit* of the Bankers and to the *debit* of "Profit and Loss," to be deducted ultimately from your gross profit. All losses, discounts, and large abatements, must be entered in a similar way, taking care that the sums are not carried into the outer column, so as to be cast up in the total amount of goods bought.

The second is a credit to "Petty Cash" *for sundries.* This entry corresponds with the "Ready Money" entry in the Day-Book, for as you often *sell* small quantities of goods to numerous purchasers for ready money, so you sometimes *buy* goods in a similar manner. Whenever you do this, enter them in a little book, and at the end of the week cast up the amount, and carry it into the Cash-Book; and at the end of the month bring the whole four weeks' account into the Invoice-Book, in the manner shown in the specimen, taking strict care, however, not to enter anything into this "Petty Cash" that is not intended to be sold at a profit, or to be passed

through the Day-Book as goods "Outwards." The next entry to which I wish your attention, is the Credit to "Wages" *for work.* If you are a manufacturer, you buy labour of your workmen to mix up with your materials, to make something, to sell at a profit. In this case you deal in labour as well as in goods, and one is as much a commodity as the other, although the mode of paying for them may be different. This labour, remember, when mixed with your materials, will appear in your Day-Book with the *goods sold;* it must, therefore, first appear in your Invoice-Book as *goods bought.* Every thing "Inwards" must pass through this Bought-Book, and in some cases the value of the labour greatly exceeds the cost of the materials; but whatever be the amount of each, the whole must be entered here, if you wish to attain to anything like perfection in Book-keeping. If, therefore, you have workmen to pay, enter their names and amount of wages in a little book, carry the total amount into your Cash-Book every Saturday, and at the

end of every month, when all the bills of parcels are entered in the Invoice-Book, give credit to "Wages" for the amount paid each week, in the manner shown in the specimen. There is no necessity for entering the bills of parcels into the Invoice-Book as fast as they come in. The best way is to put them on a file, and enter them at your leisure of an evening, and at the end of the month take them all off, and having seen that you have not omitted any, tie them up, writing upon them the year and month, so that in case you should have again to refer to them, you may easily find them. If you keep these two books as I have pointed out, you have laid the foundation for a complete and methodical system of Book-keeping.

## *Dr.* *Cash, January,* 1843.

| | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| | | Balance brought forward.. | | | | 15 | 3 | 6 |
| 2 | 260 | To Union Bank ..... | | | | 110 | 5 | 6 |
| „ | 15 | To Longman and Co. ..... | 7 | 10 | 0 | 180 | 0 | 0 |
| 4 | 267 | To Saunders and Otley ..... | 3 | 12 | 6 | 143 | 2 | 6 |
| „ | 5 | To John Murray ..... | 2 | 5 | 0 | 43 | 1 | 6 |
| „ | 12 | To Richard Groombridge ..... | | 16 | 0 | 15 | 4 | 6 |
| „ | 17 | To Tilt and Bogue ..... | 1 | 11 | 0 | 29 | 5 | 0 |
| „ | 196 | To Bell and Wood ..... | 2 | 5 | 0 | 37 | 15 | 0 |
| 7 | 58 | To Ready Money..... | | | | 25 | 3 | 6 |
| 10 | 260 | To Union Bank ..... | | | | 45 | 0 | 0 |
| 13 | 256 | To P. & M. Andrews ..... | 1 | 14 | 0 | 35 | 6 | 0 |
| 14 | 260 | To Union Bank ..... | | | | 15 | 0 | 0 |
| „ | 58 | To Ready Money..... | | | | 20 | 1 | 6 |
| 16 | 37 | To Simpkin and Marshall ..... | | | 9 | 156 | 10 | 0 |
| 17 | 63 | To Letts and Sons ..... | | | | 12 | 17 | 6 |
| „ | 315 | To Thomas Tegg ..... | | 1 | 6 | 124 | 10 | 0 |
| „ | 84 | To Fisher, Son, and Jackson .... | | | 1 | 12 | 3 | 6 |
| „ | 321 | To Seeley and Sons ..... | | | 10 | 45 | 12 | 0 |
| 20 | 92 | To Ackerman and Co. ..... | | | 3 | 15 | 5 | 0 |
| 21 | 260 | To Union Bank ..... | | | | 45 | 5 | 6 |
| „ | 58 | To Ready Money..... | | | | 27 | 6 | 2 |
| „ | 260 | To Union Bank ..... | | | | 80 | 0 | 0 |
| 23 | 112 | To Smith, Elder and Co. ..... | 6 | 10 | 0 | 120 | 0 | 0 |
| „ | 132 | To John Weale..... | | | 8 | 15 | 12 | 0 |
| „ | 260 | To Union Bank ..... | | | | 112 | 12 | 6 |
| 28 | 58 | To Ready Money..... ..... | | | | 23 | 7 | 6 |
| „ | 141 | To Baldwin and Co..... | | | | 44 | 3 | 6 |
| „ | 340 | To Gilbert and Co. ..... | | | | 17 | 2 | 9 |
| „ | 260 | To Union Bank ..... | | | | 15 | 0 | 0 |
| „ | 59 | To Profit and Loss, Discounts and Abatements ..... | | | | 15 | 8 | 7 |
| | | | | | | 26 | 7 | 7 |
| | | | | | | £1623 | 12 | 7 |

## *Contra.* *Cr.*

| | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 2 | 58 | By Trade Charges (Taxes)..... | | | | 5 | 5 | 6 |
| „ | 56 | By Magnay, Brothers ..... | 5 | 0 | 0 | 100 | 0 | 0 |
| 4 | 260 | By Union Bank ..... | | | | 448 | 8 | 6 |
| 7 | 58 | By Trade Charges (Sundries).... | | | | 1 | 12 | 6 |
| „ | 57 | By Petty Cash (ditto)..... | | | | 4 | 13 | 6 |
| „ | 57 | By Wages..... | | | | 27 | 10 | 3 |
| „ | 250 | By Thorowgood & Co..... | 1 | 15 | 6 | 33 | 0 | 0 |
| „ | 166 | By Charles Tennant and Co. .... | | 12 | 3 | 11 | 0 | 0 |
| „ | 168 | By Hodgkinson and Co. ..... | 1 | 8 | 4 | 55 | 2 | 0 |
| 14 | 57 | By Wages..... | | | | 40 | 5 | 6 |
| „ | 57 | By Petty Cash (Sundries) ..... | | | | 5 | 3 | 6 |
| „ | 58 | By Trade Charges (ditto) ..... | | | | 1 | 3 | 6 |
| 17 | 260 | By Union Bank ..... | | | | 351 | 13 | 0 |
| 21 | 198 | By Henry Nicholson ..... | 6 | 12 | 6 | 102 | 10 | 0 |
| „ | 58 | By Trade Charges (Gas)..... | | | | 12 | 15 | 6 |
| „ | 58 | By ditto (Sundries) ..... | | | | 1 | 2 | 9 |
| „ | 57 | By Petty Cash (ditto) ..... | | | | 2 | 15 | 0 |
| „ | 57 | By Wages..... | | | | 30 | 4 | 9 |
| 23 | 260 | By Union Bank ..... | | | | 135 | 12 | 0 |
| „ | 194 | By John Dickinson and Co. .... | | | | 112 | 12 | 6 |
| 28 | 58 | By Petty Cash (Sundries) ..... | | | | 1 | 5 | 6 |
| „ | 58 | By ditto (Quarter year's Rent) .. | | | | 70 | 0 | 0 |
| „ | 57 | By Trade Charges (Sundries) .. | | | | 1 | 5 | 6 |
| „ | 57 | By Wages ..... | | | | 15 | 9 | 6 |
| „ | 59 | By Profit and Loss, Discounts and Abatements ..... | | | | 26 | 7 | 7 |
| | | | | | | 15 | 8 | 7 |
| | | Balance ..... | | | | 11 | 5 | 8 |
| | | | | | | £1623 | 12 | 7 |

## OF THE CASH-BOOK.

You have had explained to you the object and use of the two books, into one or other of which all goods, materials, and productive labour *brought in* or *carried out* of the business must be entered; but there is money "Inwards" and "Outwards" as well as goods, and the book in which these transactions are entered is called a CASH-BOOK. This is a very important book, and contains a chronological collection of all the events by which the cash of a concern has been affected. For goods bought we make use of an Invoice-Book; for goods sold we require a Day-Book; thus separating, as much as possible, the original *entries* of goods "Inwards" from the goods "Outwards;" but with respect to CASH, the whole must appear in one book. The left-hand contains a list of all cash received, or cash "Inwards," and the right-hand side of the book contains a list of all the cash paid, or cash "Outwards," as exhibited in the preceding specimen.

Having described the nature and object of a Cash-Book, I shall now proceed to explain its use; but before I do so, let me entreat you to examine well the specimen page, and endeavour fully to comprehend it. You observe the month is written in good text-hand at the top, so that the date only has to be inserted to each entry, till you get to the bottom of the page; and if the month's transactions will not come into one page, carry them over, and head the next page in the same way, and so on to the end of the month. I stated that the left-hand side of the Cash-Book was to contain an account of all the money received; you therefore write the word "Dr." at the top left-hand corner, because the cash is a *debtor*, for the sum stated, to each of those parties whose names are written underneath. For instance, a person lends or pays you £50; you then become *indebted* to him for that amount, and you enter the transaction in the Cash-Book that he may be properly credited with it, and that you may know what has become of the money. You are then to enter, on the

left-hand side of the Cash-Book, all the money that comes into your business, and the name of the parties from whom you receive it; and at the end of the month the whole must be accounted for, and the balance, if any, carried to the next month's account. The first or left-hand column is for the day of the month; the second is for the folio of the Ledger. It is usually the practice to place this column with the money columns, but when near the margin of the book, the folio is more easily inserted, and the money columns are left clear and unconfused. The wide space in the middle is for the name of the parties from whom the money is received. This is all so plain as to require no further explanation; I will therefore proceed to the money columns at the right-hand side of the page. In the Introduction I mentioned that the discounts allowed, and trifling sums abated by tradesmen, in settling accounts, amounted in a year to a very considerable sum. The column next to the names is for the purpose of entering these discounts and abatements, and

however trifling the abatement, it must be recorded here.* The outer column is for the cash actually received. In settling accounts very few persons pay the odd pence; if, therefore, you entered in the outer column a larger sum than you had really received, it would be a false entry, and your cash would not balance; while, on the other hand, if you only entered the exact amount received, the account of the party from whom you received the money would not balance in the Ledger. You must, therefore, if you wish to be correct, have two money columns, one for the abatements, the other for cash received. By this simple plan all your cash transactions are rendered clear and distinct. You see at one view the gross amount for each month of your discounts and abatements, and, as the sum paid, added

* These discounts and abatements are cast up at the end of the month, and are carried into the outer column. The discounts you have allowed are charged on the right-hand side of the Cash-Book to Profit and Loss, and the discounts you have received are credited to Profit and Loss on the left or Inward side of the Cash-Book. By this means the amount is carried into the Ledger, by one entry only a month, without in any way affecting the cash balance. For the manner in which this is done, consult the specimen page.

to the abatement makes up the total amount of your customer's account, you credit him with both from the same book, and balance his account in the Ledger easily. If you strictly follow this plan, your Cash-Book will only contain in the outer column an account of money really received, which will greatly facilitate you in balancing your cash, however large your transactions may be. These great results cannot be obtained in any other way than this, except by the complicated and tedious process of double entry.

Having, I hope, clearly explained to you the use of a Cash-Book, as far as regards cash "Inwards," I will, before I go to the right-hand, or "Outwards" side, say a few words respecting the manner of keeping it, particularly as some of the entries in the specimen page require a little explanation. I have already repeatedly stated, that all money received must be entered on the left-hand side, and to this rule, remember, there is no exception. If, therefore, you have an account at a Bankers', all cheques drawn upon them

must be entered here also. When you receive money and pay it into the Bankers', you account for it by charging the amount to them on the "Outwards" side of the Cash-Book—that is, your Bankers become *indebted to you* for that sum; when, therefore, you receive any portion of it back again, you are *indebted to them* for the amount, whence it follows that it must be entered with the other receipts. In explaining the use of the Day-Book, I described the way in which you were, once a week, to charge "Ready Money" with all goods sold in small quantities for cash. If you turn to the specimen entry of the Day-Book, you will observe, that on the 7th of January an entry was made to "Ready Money," for "*Sundries as per Till-Book*," £25, 3*s*. 6*d*.; now look to the specimen page of the Cash-Book, and you will see that on the same day "Ready Money" was credited with exactly the same amount. You will now begin to perceive the advantage of correct Book-keeping. By *debiting* or charging in the Day-Book to "Ready Money" all goods

sold for cash, you get at the total amount of your sales; and by *crediting* "Ready Money" in your Cash-Book for the money received, you keep your cash correct by entering all the receipts: and these two entries balance each other in the Ledger without discount or abatement, and give you, in fifty-two weekly sums, the total amount received every year for ready money.

I shall now direct your attention to the right-hand side of the Cash-Book, which I said was to contain the particulars of all cash paid, or cash "Outwards." At the top of the page is written in text corresponding in size to the heading on the opposite page, the words "Contra Cr." *Contra* is a Latin word, and has been used by ancient custom in all cases where there is exhibited a statement of receipt and disbursement. It means "against," or, "on the contrary." On the left-hand side of the Cash-Book the cash is made a *Debtor*, because it is indebted to those persons from whom the money is received, but on the right-hand side "on the contrary" the cash is

made *Creditor*, because the persons to whom the money is paid are indebted to it. The cash then is to be credited on this side, with all the money paid away, in the same manner as it was debited with all that was received on the other. It is, in short, the "contrary account," and is ruled precisely as the other side, and every column is intended for a similar purpose. It has columns for the date; the folio of the Ledger; the name; the abatements; and the amount—the abatement column of course being intended to enter the sums in you can get abated or allowed to you by persons to whom you have money to pay. It is unnecessary to occupy more space in describing the mode of using the "Outwards" side of the Cash-Book, as it is almost impossible to misunderstand it; I have, however, a few words to say on some of the entries. If you turn to page 35, you will see what I have said in respect to "Petty Cash" and "Wages" which appear in the specimen page of the Invoice Book. In that specimen, entries are made to "Petty Cash" and "Wages" at the

end of the month with the other goods bought, and both are posted to the credit side of the Ledger as goods "Inwards" for which the business is indebted. Now, if you look to the right-hand or "Outwards" side of the Cash-Book, you will perceive that the sum disbursed for these two accounts is there charged weekly, and of course, when posted to the debit side of the Ledger, will exactly balance the amounts from the Invoice-Book, and at the end of the year show the total amount paid for Wages and Petty Cash, in the same way as I explained was the case with the "Ready Money" entry on the other side of the Cash-Book. "Ready Money" is made a *debtor* in the Day-Book for goods sold, and a *creditor* in the Cash-Book for money received. "Wages" and "Petty Cash" are made *creditors* in the Invoice-Book for goods bought, and *debtors* in the Cash-Book for money paid.

There is one more account to explain, and then all the difficulty in respect to the Cash-Book is disposed of. I mentioned, in the In-

troduction, the importance of ascertaining correctly the amount of business expenses, or "Trade Charges," some of which I described. These must not be confounded with goods bought. All that you buy to sell at a profit must be entered in the Invoice-Book, as I have already explained, but the charges of business which have to be deducted from profits must be kept distinct, and as accurately as though you were to have the amount refunded to you. When, therefore, you pay anything for rent, taxes, repairs, gas, clerks' and porters' salaries, engraving, stationery and printing, law expenses, or other charges of a similar nature, if the amount be more than £2, enter it at once into the Cash-Book, and describe it in the manner shown in the specimen. For smaller sums it is desirable to have a thin narrow book, ruled with money columns, and interleaved with blotting paper, to be called Petty-Expense Book, or Trade-Charges Book. Into this enter all small sums under £2—such as stamps, postage-heads, carriage, booking, &c. &c., and at the end

of the week carry the total into the Cash-Book as paid to "Trade Charges" for sundries. At the end of the month, make up the Cash-Book, and carry the balance forward to the next month's account, and remember that the cash must balance to a farthing. No man can pay away money that he has never received. It therefore follows as an undeniable consequence, that the left-hand side of the Cash-Book can never amount to a less sum than the right-hand side. If the cash remaining on hand, added to the right-hand column total, make an amount equal to the left-hand total, the account has been correctly kept, but should any discrepancy appear, it is a convincing proof of error, and you must instantly direct your attention to discover it.

Having now fully described the use of the Cash-Book, and explained the entries "Inwards" and "Outwards," it only remains for me to give some general instructions in regard to the best way of keeping it. In the first place, never pay nor receive cash without

making an immediate entry of the transaction. This is by far too important a matter to be left to the memory, however good; and if you cannot get at the Cash-Book, or it is inconvenient to enter the transaction at the time, make a memorandum of it, and lay it in the cash-box, or stick it on a file where you will be sure to see it. In the next place, balance the cash often; if your receipts are large, let it be done every night before you leave the desk, and on no account defer it beyond a week. Write cheques for all sums above £5; this will not only save trouble and cause less confusion in the Cash-Book, but cheques are excellent vouchers for the payment of an account, and should therefore always be crossed with the name of the parties' Bankers who receive them. Never supply yourself with money from the Cash-box for your own expenses; this is a bad habit, and introduces irregularity and carelessness. If you run to the Cash-box every time you want money for yourself, you do so very often for small sums, which are forgotten, and it is far

from correct to be obliged at the end of the month, to balance the cash by charging "Profit and Loss" with the deficiency. When you require money for your own use, write a cheque for the amount, and if the cash does not balance you will have no difficulty in finding where the mistake lies. Before I leave this subject, I must say a few words as to what are to be deemed private expenses in contradistinction to business charges. If your place of residence is at a distance from your business, there can be no mistake on the subject, but it generally happens that the two are so mixed up as to be separated with difficulty. If you reside where your business is carried on, the best way is to charge the rent and taxes to the business, and the coals and housekeeping to your private account, except when an establishment is kept to board and lodge young persons or apprentices, whose time and labour are given to the business; in that case the housekeeping expenses must be placed to the trade charges.

## OF THE LEDGER.

I NOW come to speak of the LEDGER, which is the book wherein all the several articles of each particular account, that lie scattered in other books according to their dates, are collected, and placed together in spaces allotted for them. It is necessary to open an account here for every person or company whose name appears in the Day-Book, Invoice-Book, or Cash-Book. The record of sales being originally made in the Day-Book, with full particulars as to quantities and prices in the manner already shown, the sum of each transaction is carried into the Ledger to the *debit* of the buyer, each account having a distinct folio or division to itself, by which means you soon get at a correct list of your *debts receivable*. In like manner as the Invoice-Book contains the particulars of goods and materials bought, these also are carried into the Ledger to the *credit* of the seller, arranged in the same way; by which process you exhibit a list of your *debts payable*.

The money you have paid away, the particulars of which are inserted on the right-hand side of the Cash-Book, is also carried to the Ledger to the *debit* of those who received it; and the money received, as particularized on the left-hand side of the Cash-Book, is likewise carried into the Ledger to the *credit* of those who paid it; and when all this is done, the balance shows, when the debit side is the greater, how much they owe you, and when the credit side is the greater, how much you owe them.

The first thing to be done in the Ledger is to allot a proper space to each person's account. The room which each will require cannot be exactly known, but it must be conjectured from the number of transactions that are likely to follow. The number of the folio is to be marked in bold figures, at each corner of the top, and the titles of the accounts must be written in good large text. Begin the Ledger with opening the accounts to your debtors from the Day-Book, and let all the *sold*-accounts be together at the be-

ginning, and the *bought*-accounts by themselves at the end. As soon as you have written a name in the Ledger, enter it immediately in the index, and place at the end of the name the folio where the account is opened. Unless your Ledger is very large, let the index be at the beginning of the book, with one page to each letter of the alphabet. Individual accounts must be indexed by the first letter of the surname, Companies' by the first letter of the surname of the first partner, and all other accounts by the first letter of the first word, just as is done in the Directories. When you have opened accounts to all the names standing in the Day-Book, leave a sufficient number of leaves for other similar accounts, and proceed to open accounts to all the names in the Invoice-Book, in the same way. To enable you to understand this better, I give you a specimen of a few Ledger accounts, which I will afterwards explain :—

## DRS. *James Morrison & Co.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 10 | To Goods..... | 25 | 275 | 0 | 0 |
| Feb. | 15 | „ ditto ..... | 35 | 134 | 12 | 3 |
| | 18 | „ ditto ..... | 37 | 25 | 10 | 0 |
| | 25 | „ ditto ..... | 39 | 134 | 12 | 6 |
| March | 4 | „ ditto ..... | 41 | 12 | 3 | 6 |
| | 11 | „ ditto ..... | 44 | 15 | 8 | 4 |
| | 18 | „ ditto ..... | 46 | 17 | 10 | 0 |
| | 25 | „ ditto ..... | 49 | 25 | 13 | 2 |
| | 31 | „ ditto ..... | 54 | 15 | 10 | 0 |
| April | 10 | „ ditto ..... | 58 | 121 | 18 | 0 |
| | 16 | „ ditto ..... | 63 | 44 | 2 | 1 |
| | 22 | „ ditto ..... | 70 | 35 | 11 | 8 |
| | 29 | „ ditto ..... | 74 | 13 | 7 | 3 |
| | | | | £870 | 18 | 9 |

## DRS. *Magnay, Brothers.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 3 | To Cash ..... | 38 | 100 | 0 | 0 |
| Feb. | 1 | „ Acceptance .... | 1 | 400 | 0 | 0 |
| March | 1 | „ ditto ..... | 4 | 167 | 5 | 6 |
| April | 1 | „ ditto ..... | 7 | 443 | 4 | 7 |
| May | 1 | „ ditto ..... | 10 | 212 | 16 | 1 |
| | | | | £1323 | 6 | 2 |

## *Contra.* CRS.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Feb. | 4 | By Cash ..... | 50 | 261 | 5 | 0 |
| | „ | „ Discount ..... | „ | 13 | 15 | 0 |
| March | 4 | „ Cash ..... | 56 | 280 | 0 | 0 |
| | „ | „ Discount ..... | „ | 14 | 14 | 9 |
| April | 1 | „ Cash ..... | 68 | 81 | 9 | 0 |
| | „ | „ Discount ..... | „ | 4 | 16 | 0 |
| May | 6 | „ Cash ..... | 73 | 204 | 4 | 0 |
| | „ | „ Discount ..... | „ | 10 | 15 | 0 |
| | | | | £870 | 18 | 9 |

## *Contra.* CRS.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 7 | By Goods..... | 31 | 500 | 0 | 0 |
| Feb. | 10 | „ ditto ..... | 34 | 112 | 13 | 6 |
| | 24 | „ ditto ..... | 38 | 54 | 12 | 0 |
| March | 1 | „ ditto ..... | 40 | 174 | 3 | 6 |
| | 5 | „ ditto ..... | 42 | 236 | 12 | 3 |
| | 9 | „ ditto ..... | 43 | 0 | 15 | 4 |
| | 12 | „ ditto ..... | 45 | 15 | 7 | 6 |
| | 21 | „ ditto ..... | 47 | 14 | 12 | 6 |
| | 28 | „ ditto ..... | 51 | 1 | 13 | 6 |
| April | 3 | „ ditto ..... | 56 | 121 | 12 | 3 |
| | 10 | „ ditto ..... | 58 | 23 | 14 | 6 |
| | 16 | „ ditto ..... | 60 | 17 | 12 | 9 |
| | 19 | „ ditto ..... | 61 | 18 | 10 | 6 |
| | 22 | „ ditto ..... | 62 | 14 | 13 | 4 |
| | 25 | „ ditto ..... | 64 | 16 | 2 | 3 |
| | 26 | „ ditto ..... | 65 | 0 | 10 | 6 |
| | | | | £1323 | 6 | 2 |

## Dr. *Petty Cash.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 7 | To Cash ..... | 38 | 4 | 13 | 6 |
| | 14 | „ ditto ..... | „ | 5 | 3 | 6 |
| | 21 | „ ditto ..... | „ | 2 | 15 | 0 |
| | 28 | „ ditto ..... | „ | 1 | 5 | 6 |
| Feb. | 4 | „ ditto ..... | 50 | 7 | 3 | 4 |
| | 11 | „ ditto ..... | 51 | 8 | 12 | 2 |
| | 18 | „ ditto ..... | 52 | 6 | 14 | 1 |
| | 25 | „ ditto ..... | 54 | 4 | 16 | 8 |
| March | 4 | „ ditto ..... | 56 | 12 | 9 | 1 |
| | 11 | „ ditto ..... | 57 | 14 | 1 | 4 |
| | 18 | „ ditto ..... | 58 | 1 | 15 | 6 |
| | 28 | „ ditto ..... | 60 | 3 | 4 | 9 |
| | 31 | „ ditto ..... | 62 | 10 | 1 | 3 |
| | | | | £82 | 15 | 8 |

## Dr. *Wages.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 7 | To Cash ..... | 38 | 27 | 10 | 3 |
| | 14 | „ ditto ..... | „ | 40 | 5 | 6 |
| | 21 | „ ditto ..... | „ | 30 | 4 | 9 |
| | 28 | „ ditto ..... | „ | 15 | 9 | 6 |
| Feb. | 4 | „ ditto ..... | 50 | 24 | 12 | 6 |
| | 11 | „ ditto ..... | 51 | 33 | 15 | 4 |
| | 18 | „ ditto ..... | 52 | 31 | 11 | 2 |
| | 25 | „ ditto ..... | 54 | 27 | 12 | 8 |
| March | 4 | „ ditto ..... | 56 | 20 | 1 | 6 |
| | 11 | „ ditto ..... | 57 | 28 | 3 | 5 |
| | 18 | „ ditto ..... | 58 | 34 | 17 | 4 |
| | 25 | „ ditto ..... | 60 | 26 | 14 | 1 |
| | 31 | „ ditto ..... | 62 | 23 | 13 | 7 |
| | | | | £364 | 11 | 7 |

*Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 31 | By Goods ..... | 32 | 13 | 17 | 6 |
| Feb. | 28 | „ ditto ..... | 40 | 27 | 6 | 3 |
| March | 31 | „ ditto ..... | 45 | 41 | 11 | 11 |
| | | | | £82 | 15 | 8 |

*Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 31 | By Work..... | 32 | 113 | 10 | 0 |
| Feb. | 28 | „ ditto ..... | 40 | 117 | 11 | 8 |
| March | 31 | „ ditto ..... | 45 | 133 | 9 | 11 |
| | | | | £364 | 11 | 7 |

## Dr. *Ready Money.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 7 | To Goods..... | 25 | 25 | 3 | 6 |
| | 14 | „ ditto ..... | 26 | 20 | 1 | 6 |
| | 21 | „ ditto ..... | „ | 27 | 6 | 2 |
| | 28 | „ ditto ..... | „ | 23 | 7 | 6 |
| Feb. | 4 | „ ditto ..... | 31 | 17 | 12 | 4 |
| | 11 | „ ditto ..... | 34 | 24 | 3 | 1 |
| | 18 | „ ditto ..... | 37 | 27 | 10 | 9 |
| | 25 | „ ditto ..... | 39 | 19 | 15 | 6 |
| March | 4 | „ ditto ..... | 41 | 25 | 13 | 10 |
| | 11 | „ ditto ..... | 44 | 28 | 19 | 3 |
| | 18 | „ ditto ..... | 46 | 24 | 17 | 5 |
| | 25 | „ ditto ..... | 49 | 23 | 13 | 6 |
| | 31 | „ ditto ..... | 54 | 19 | 16 | 2 |
| | | | | £308 | 0 | 6 |

## Dr. *Trade Charges.*

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 2 | To Cash (Taxes).... | 38 | 5 | 5 | 6 |
| | 7 | „ ditto (Sundries) . | „ | 1 | 12 | 6 |
| | 14 | „ ditto (ditto). .. | „ | 1 | 3 | 6 |
| | 21 | „ ditto (Gas) .... | „ | 12 | 15 | 6 |
| | „ | „ ditto (Sundries) . | „ | 1 | 2 | 9 |
| | 28 | „ ditto (ditto). .. | „ | 1 | 5 | 6 |
| | „ | „ ditto (Rent) .... | „ | 70 | 0 | 0 |
| Feb. | 4 | „ ditto (Insurance) | 50 | 22 | 12 | 6 |
| | „ | „ ditto (Salaries).. | „ | 150 | 0 | 0 |
| | „ | „ ditto (Sundries) . | „ | 1 | 2 | 2 |
| | 11 | „ ditto (ditto). .. | 51 | 4 | 12 | 3 |
| | „ | „ ditto (Repairs).. | „ | 54 | 12 | 6 |
| | „ | „ do. (Parish rates) | „ | 12 | 1 | 2 |
| | 18 | „ ditto (Sundries) . | 52 | 2 | 7 | 1 |
| | „ | „ ditto (Poor rate) | „ | 6 | 4 | 8 |
| | | | | £346 | 17 | 7 |

## *Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 7 | By Cash ..... | 38 | 25 | 3 | 6 |
| | 16 | „ ditto ..... | „ | 20 | 1 | 6 |
| | 21 | „ ditto ..... | „ | 27 | 6 | 2 |
| | 28 | „ ditto ..... | „ | 23 | 7 | 6 |
| Feb. | 4 | „ ditto ..... | 50 | 17 | 12 | 4 |
| | 11 | „ ditto ..... | 51 | 24 | 3 | 1 |
| | 18 | „ ditto ..... | 52 | 27 | 10 | 9 |
| | 25 | „ ditto ..... | 54 | 19 | 15 | 6 |
| March | 4 | „ ditto ..... | 56 | 25 | 13 | 10 |
| | 11 | „ ditto ..... | 57 | 28 | 19 | 3 |
| | 18 | „ ditto ..... | 58 | 24 | 17 | 5 |
| | 25 | „ ditto ..... | 60 | 23 | 13 | 6 |
| | 31 | „ ditto ..... | 62 | 19 | 16 | 2 |
| | | | | £308 | 0 | 6 |

## *Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Feb. | 18 | By Profit and Loss.. | 91 | 346 | 17 | 7 |
| | | | | £346 | 17 | 7 |

## Dr. *Stock Account.*

| | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| 1843 | | To Stock and Materials | 1 | 2565 | 10 | 6 |
| Jan. | 31 | „ Goods Bought .... | 32 | 1183 | 17 | 11 |
| Feb. | 28 | „ ditto ..... | 40 | 1024 | 3 | 1 |
| March | 31 | „ ditto ..... | 45 | 852 | 5 | 6 |
| April | 30 | „ ditto ..... | 51 | 1236 | 9 | 8 |
| May | 31 | „ ditto ..... | 57 | 924 | 11 | 4 |
| June | 30 | „ ditto ..... | 62 | 1155 | 7 | 6 |
| July | 31 | „ ditto ..... | 67 | 841 | 12 | 7 |
| Aug. | 31 | „ ditto ..... | 71 | 1036 | 13 | 3 |
| Sept. | 30 | „ ditto ..... | 76 | 797 | 5 | 9 |
| Oct. | 31 | „ ditto ..... | 79 | 1248 | 18 | 2 |
| Nov. | 30 | „ ditto ..... | 85 | 927 | 11 | 5 |
| Dec. | 31 | „ ditto ..... | 91 | 843 | 14 | 3 |
| | | „ Profit and Loss .... | „ | 2202 | 12 | 9 |
| | | | | £16840 | 13 | 8 |

## Dr. *Profit and Loss.*

| | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| 1843 | | | | | | |
| Jan. | 31 | To Edmund Jones, (bad debt) ..... | 32 | 45 | 10 | 6 |
| | „ | „ Union Bank (disct) | „ | 6 | 5 | 6 |
| | „ | „ Disct. & abatements | 38 | 26 | 7 | 7 |
| Feb. | 28 | „ ditto ..... | 54 | 17 | 12 | 10 |
| March | 31 | „ ditto ..... | 62 | 25 | 3 | 6 |
| April | 30 | „ ditto ..... | 69 | 34 | 12 | 3 |
| May | 31 | „ ditto ..... | 78 | 22 | 1 | 9 |
| June | 31 | „ ditto ..... | 84 | 25 | 6 | 8 |
| July | 20 | „ ditto ..... | 91 | 18 | 17 | 6 |
| Aug. | 31 | „ ditto ..... | 98 | 24 | 8 | 4 |
| Sept. | 30 | „ ditto ..... | 102 | 21 | 12 | 10 |
| Oct. | 31 | „ ditto ..... | 109 | 34 | 8 | 2 |
| Nov. | 30 | „ ditto ..... | 116 | 27 | 15 | 5 |
| Dec. | 31 | „ ditto ..... | 122 | 22 | 12 | 4 |
| | „ | „ Trade charges .... | 91 | 1026 | 13 | 4 |
| | „ | „ Net profit carried to the cred it of the firm ..... | „ | 1012 | 11 | 1 |
| | | | | £2391 | 19 | 7 |

## *Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 31 | By Goods Sold ..... | 26 | 1380 | 12 | 10 |
| Feb. | 28 | „ ditto ..... | 40 | 1241 | 6 | 8 |
| March | 31 | „ ditto ..... | 54 | 984 | 3 | 7 |
| April | 30 | „ ditto ..... | 68 | 1476 | 10 | 6 |
| May | 31 | „ ditto ..... | 82 | 1053 | 9 | 3 |
| June | 30 | „ ditto ..... | 96 | 1327 | 14 | 8 |
| July | 31 | „ ditto ..... | 101 | 1033 | 12 | 5 |
| Aug. | 31 | „ ditto ..... | 115 | 1225 | 17 | 9 |
| Sept. | 30 | „ ditto ..... | 129 | 1015 | 8 | 4 |
| Oct. | 31 | „ ditto ..... | 143 | 1421 | 15 | 7 |
| Nov. | 30 | „ ditto ..... | 157 | 1026 | 12 | 3 |
| Dec. | 31 | „ ditto ..... | 171 | 1018 | 13 | 10 |
| | | „ Stock and Materials | „ | 2634 | 16 | 0 |
| | | | | £16840 | 13 | 8 |

## *Contra.* CR.

| 1843 | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Jan. | 31 | By Disct. & abatements | 38 | 15 | 8 | 7 |
| Feb. | 28 | „ ditto ..... | 54 | 12 | 15 | 6 |
| March | 31 | „ ditto ..... | 62 | 14 | 10 | 8 |
| April | 30 | „ ditto ..... | 69 | 18 | 8 | 5 |
| May | 31 | „ ditto ..... | 78 | 13 | 2 | 9 |
| June | 30 | „ ditto ..... | 84 | 19 | 12 | 3 |
| July | 31 | „ ditto ..... | 91 | 15 | 17 | 4 |
| Aug. | 31 | „ ditto ..... | 98 | 16 | 13 | 8 |
| Sept. | 30 | „ ditto ..... | 102 | 13 | 18 | 1 |
| Oct. | 31 | „ ditto ..... | 109 | 17 | 11 | 10 |
| Nov. | 30 | „ ditto ..... | 116 | 14 | 15 | 7 |
| Dec. | 31 | „ ditto ..... | 122 | 16 | 12 | 2 |
| | „ | „ Profit and Loss .... | 91 | 2202 | 12 | 9 |
| | | | | £2391 | 19 | 7 |

The operation of carrying into the Ledger the totals of each particular debit and credit transaction from the various Inwards and Outwards books is technically called *posting*. When the space allotted for an account in the Ledger is filled up, the account must be transferred to another folio, and the new folio inserted in the index. When the new folio is opened, write on the top line "*Amount brought from folio*—," and at the bottom, where the old account was, "*Carried to folio* —." As you have no particulars to write in this book, the debit and credit of every account may come on one page, which will not only save room, but make the account look neater and more compact. A large portion of the Ledger should be ruled for one account only on a page; but as there are always some single or small transactions to be recorded, it is desirable to have a portion at the end for two or three accounts on a page, in the manner exhibited in the specimen. All the other books, essential to the art of Book-keeping, are for the purpose of re-

cording original entries, but the Ledger is the balance book, into which all others flow; it therefore contains only the *final* entries, and nothing must appear there without a folio to point out whence it came. Be, therefore, very careful never to make an *original* entry in this book, for that would immediately render the whole plan defective.

The Ledger accounts are divided into real accounts and nominal accounts, and this division is so simple that I am sure you will easily understand it. The real accounts, of course, are those comprised as *debts receivable* and *debts payable*, whether for goods, labour, or money—that is, all the accounts of persons indebted to you, and to whom you are indebted. The only nominal accounts are the six exhibited in the specimen pages of the Ledger, which I will presently explain. But first as to the real accounts.

At page 56 I have given you a specimen of two real accounts, a "Sold Account" and a "Bought Account." If you turn for a minute to that specimen, you will observe that JAMES

MORRISON & Co. are made *debtors* for various lots of goods sold, of which no particulars are given beyond the date and amount, but there is a column close to the money, in which is inserted the folio of the Day-Book, whence the amount came, and where the original entry is to be found. Each entry made on the debit side of the Ledger must come either from the Day-Book for goods, the Cash-Book for cash, or the Bill-Book for bills; but let it come whence it may, it must have a folio reference to the book in which the original transaction is recorded. The Ledger, then, gives results but no details; it shows at one view the exact state of every account you have with the world. Now, if you look to the credit side of the same account, you will see entries for cash and discount, specifying the date and amount only, but with the folio of the Cash-Book where the original entry was made when the money was received. The total of the cash and discount agrees with the amount debited for goods, and the account is therefore

balanced. This is a very satisfactory statement, which you never could have seen in any book but a Ledger. Every account from the Day-Book is shown in a similar manner, and the exact sum which the credit side requires to make it equal to the other is the balance *due to you* on the account.

The other real account is a Bought Account. MAGNAY, BROTHERS, are *creditors* for various goods posted from the Invoice-Book, the folio of which is inserted to each entry, that it may be consulted if necessary. Every entry made on the credit side of the Ledger for goods must be brought from the Invoice-Book; for cash from the left-hand side of the Cash-Book; and for bills from the Bill-Book. The exact sum which the debit side requires to make it equal in amount to the other is the balance *you owe* on the account. In this instance, as both sides agree in amount, the totals of each are cast up, and the amount is ruled off and balanced. The mode by which this account is liquidated somewhat differs from the Sold Account

just alluded to, but as both debit and credit accounts are frequently settled by bills, the same observations will apply to each. If you look to the debit of MAGNAY, BROTHERS, page 56, you will observe that only one payment was made in cash, which payment, as a matter of course, was originally entered on the right-hand side of the Cash-Book. The subsequent debits are for acceptances, which are entered at full in the Bills Payable Book. I shall explain the use of the Bill-Book when I have finished describing the Ledger, but it may be as well to remark here, that the figures in the folio column do not refer to the page of the Bill-Book where the entry is made, but, what is more definite, points out the number of the bill itself. The account of every person or firm to whom you are indebted is shown in a similar manner, and this, with the accounts of those who are indebted to you, constitutes what are termed in Book-keeping real accounts.

I come now to the six nominal accounts, of which I have given specimens. These accounts

*exist only in name*, but nevertheless are absolutely essential to correct Book-keeping. The first two are "Petty Cash" and "Wages," which I fully described when explaining the Invoice and Cash-Books. If you do not recollect what I then said, turn to page 35 and refresh your memory. As these are nominal accounts, I have given a specimen of the entries for three months, that you may see how small a quantity of space in the Ledger such accounts occupy—how accurately they balance—what little time is required to keep them—and yet how complete is the result derived from them. These, you must remember, are "Bought Accounts," and the particulars were originally entered in the Invoice-Book, that it might contain a correct account of all goods purchased.

The next nominal account is "Ready Money," which I have already explained in treating of the Day and Cash-Books. For the reasons just given for inserting specimens of the nominal *Bought* accounts, I also give you a specimen of this nominal *Sold* account,

and the entries for three months. It is advisable, however, not to balance these three accounts oftener than once a year, that you may always see at one view the total of a year's operations.

The fourth nominal account is "Trade Charges," of which I have given a specimen for two months only. In describing the Cash-Book, page 49, I mentioned some of the most prominent items of this account, and explained how you were to enter them in the Cash-Book, for without taking an account of them your cash would not balance, and your real profit would be unknown. From the Cash-Book, then, they have been posted into the Ledger, and there debited to Trade Charges. This is the only account in the Ledger where it is necessary to give any particulars, but it is advisable here to give as briefly as possible a slight intimation of what the amounts are for, as I have done in the specimen. And here let me pause, that I may entreat you to keep a vigilant guard over this account. It is the most insidious of

all drains upon trade, beginning with small sums, till it ultimately swells into an immense total. By neglecting to do this, thousands have been ruined; and in times like these, when competition has reduced profits to the lowest fraction, no trade nor pursuit can be successfully carried on, unless the "Trade Charges" be carefully looked to and diminished. Whether your business be large or small, wholesale or retail, on credit or for ready money, take care that you do not unnecessarily augment this account, for few who do not practise correct Book-keeping, have even a conception of its magnitude. At the end of the year, then, you have a long and heavy account to the debit of "Trade Charges," which must be carried to "Profit and Loss," by making a Journal entry in your Invoice-Book exactly as is done with the bad debt of Edmund Jones in the specimen at page 32, thus—

*Dr.* PROFIT & LOSS
To TRADE CHARGES.
*Sundry Charges* £1,026 13*s.* 4*d.*

This will then be posted to the debit of "Profit and Loss" in the Ledger, and to the credit of "Trade Charges," which will enable you to balance the account, as I have shown in the specimen. But when you make this or similar entries in your "Invoice-Book," take care you do not carry the amount into the outside column.

The fifth, and next in rotation, is the "Stock Account," of which I give you a specimen for a year. It is comprised in twelve entries, one for each month, and is perhaps the most important of all the nominal accounts. It is the entire account of goods "Inwards" and "Outwards," and demands your particular attention. When you have carefully examined it, you will at once perceive the reason why I have been so particular that everything *purchased* should be entered in the Invoice-Book, and everything *sold* in the Day-Book—for this is the *balance-sheet* of all your trading operations. It is called the "Stock Account," as being the most comprehensive term we can find to

express our meaning. Your "Plant," "Business," or "Stock," is a *debtor* for the goods and materials on hand at the last balance, and for all that have since been added thereto; it is a *creditor* for all that have been sold, and for the value of those now remaining on hand, and the balance of the two amounts is your gross profit for the year. The *excess* you obtain on selling an article over and above what it cost, is the profit on that *single* transaction; and the *excess* you obtain on all your goods, during an entire year, over and above what they cost, is the gross profit on a *whole year's* transactions. This is so obviously clear that I am sure you must perceive it at the first glance. It is to show this result that the Day-Book and Invoice-Book are cast up and closed at the end of every month. The purchases are posted to the debit, and the sales to the credit, of "Stock," and the folio columns refer to the pages where the amounts are cast up. Having, then, ascertained by your "Stock Account" the amount of your gross profit,

you proceed to balance it by a Journal entry in your Invoice-Book, thus—

*Dr.* STOCK ACCOUNT
To PROFIT & LOSS.
*Gross profit* £2,202 12*s.* 9*d.*

"Stock Account" is balanced, as shown in the specimen, by being debited with gross profit, and "Profit and Loss" is credited with the same amount for the purpose of ascertaining the net or real profit. The gross profit is the excess obtained by selling beyond the cost of buying or producing, but as you may have made bad debts, or have incurred heavy trade charges, &c., it is manifest that another account must be adopted, to ascertain the real profit, and that is the last nominal account, or—

PROFIT AND LOSS.

If you thoroughly understand the nominal accounts already explained, you will experience no difficulty in comprehending the one now before us. It is the *final balance*-sheet of all your business operations. Remember, it is

for profit that the labours, anxieties, and hazards of trade are encountered, and in books kept on the plan described in this little work, the result of the struggle is shown in this account of "Profit and Loss." In explaining the use of the Invoice and Cash-Books, I pointed out some of the items that were to be carried to this account. To enable you the better to understand it, I have given a specimen of the account for an entire year. You will perceive that all the bad debts, interest of money borrowed, discounts, abatements, and other charges or losses that have not appeared in the "Trade Charges" account, are as they occur posted to the *debit*, and that all the gains from interest, apprentice fees, discounts, abatements, or other extraordinary sources, are carried to the *credit* of "Profit and Loss." As the annual period returns for balancing your books, the amount standing in the Ledger to "Trade Charges" is also carried to the debit, and the gross profit from the "Stock Account" to the credit, in the manner already described; and the sum that is required to make the debit side equal in

amount to the credit, is the real or net profit gained since your last stock-taking. And having found out by means so easy and simple the exact result of all your cares and labour, this net profit is carried to your own private account by one more Journal entry, thus:—

*Dr.* PROFIT & LOSS
To (SELF.)
*Net Profit* £1,012 11*s.* 1*d.*

By charging this amount to "Profit and Loss," you see by the specimen that the last nominal account is balanced, and the net profit carried to the credit of the firm.

I have now explained the nature and use of the Ledger, and have described those nominal accounts by means of which you attain the correctness of the Italian method of Book-keeping, without its dryness or complication. I have laid before you the process by which all cash, goods, labour, and materials "Inwards," and all cash and goods "Outwards," are originally entered into primary books of various denominations, and thence are carried by a clear and simple

process into a larger book, called the Ledger, which is a compendium of the whole. I have likewise shown the way to keep and balance the nominal accounts by a few Journal entries, that is, by entries that have a corresponding *Credit* to every *Debit*. I have yet to describe the Bills Payable and Bills Receivable Book, and shall then conclude with a few practical remarks to all persons engaged in trade.

## OF THE BILL-BOOK.

THE BILL-BOOK may be deemed a supplementary Cash-Book, as it merely contains particulars of sums to be received and paid on some future day named, for which a promise has been given on a legal instrument. For this purpose a single book will suffice; but it must have one end appropriated for Bills Payable, and the other end for Bills Receivable, the book having two "beginnings." I have given a specimen of each, that you may clearly distinguish the one from the other, and understand the mode of using them :—

# BILLS PAYABLE.

| Folio. | No. | By whom Drawn. | Place. | To whom Payable. | Date. | Time. | Sum. | The Month when Due. | | | | | | | | | | | | Where Payable. | Folio. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Jan. | Feb. | Mar. | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | | |
| 56 | 1 | Magnay, Brothers | London | Order | 1 Feb. | 3 Mos. | 400 0 0 | | | | | 4 | | | | | | | | Bankers | Ledger 260 |
| 121 | 2 | Richard Johnson | Liverpool | Order | 1 Feb. | 4 Mos. | 210 12 6 | | | | | | 4 | | | | | | | Presented | Cash-bk. 43 |
| 190 | 3 | Thomas Hide Smith | Brill | Coopers & Co. | 4 Mar. | 3 Mos. | 100 0 0 | | | | | | 7 | | | | | | | Bankers | Ledger 260 |
| 56 | 4 | Magnay, Brothers | London | Order | 1 Mar. | 3 Mos. | 167 5 6 | | | | | | 4 | | | | | | | | |
| 215 | 5 | John Evans | London | Order | 1 April | 3 Mos. | 210 3 4 | | | | | | | 4 | | | | | | | |
| 75 | 6 | Baring Brothers & Co. | London | Order | 1 April | 4 Mos. | 150 0 0 | | | | | | | | 4 | | | | | | |
| 56 | 7 | Magnay, Brothers | London | Order | 1 April | 3 Mos. | 443 4 7 | | | | | | | 4 | | | | | | | |
| 22 | 8 | Williams & Co. | Hull | Jones & Co. | 1 May | 4 Mos. | 190 12 6 | | | | | | | | | 4 | | | | | |
| 360 | 9 | Tanner & Co. | Bristol | Stuckey & Co. | 4 May | 5 Mos. | 120 0 0 | | | | | | | | | | 7 | | | | |
| 56 | 10 | Magnay, Brothers | London | Order | 1 May | 3 Mos. | 212 16 1 | | | | | | | | | 4 | | | | | |
| 50 | 11 | Wood & Sharwoods | London | Order | 10 May | 6 Mos. | 115 13 6 | | | | | | | | | | | 13 | | | |

# BILLS RECEIVABLE.

| Folio. | No. | When and from whom Received. | By whom Drawn and where. | On whom Drawn and where. | Where Payable. | Date. | Time. | When Due. | Sum. | When & how disposed of. | Folio. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 44 | 1 | Jan. 10 Thomas Lorkin | Thomas Lorkin | Symonds & Co., Hull | Smith & Co. | 5 Jan. | 2 Mos | 8 Mar. | 100 0 0 | Mar 4 Bnkrs | Led. 260 |
| 87 | 2 | „ 12 Jas. Ward & Co. | Jas. Ward & Co. | Richard Parker | New Inn | 8 Jan. | 3 Mos | 11 April | 55 10 6 | Apr 18 Bnkrs | Led. 260 |
| 193 | 3 | „ 18 Burton & Sons | Charles Smith | William West | 44, Strand | 10 Jan. | 1 Mo | 13 Feb. | 24 12 0 | Feb 11 Bnkrs | Led. 260 |
| 242 | 4 | Feb 1 Samuel Baylis | Samuel Baylis | Trokes & Son, Herefd | Lubbocks | 10 Jan. | 4 Mos | 13 May | 136 4 3 | | |
| 242 | 5 | „ 4 Samuel Baylis | Samuel Baylis | N. R. Iles, Glo'ster | Ditto | 10 Jan. | 4 Mos | 13 May | 74 5 0 | | |
| 242 | 6 | „ 7 Samuel Baylis | Samuel Baylis | Embly & Co., Bristol | Barnetts | 10 Jan. | 4 Mos | 13 May | 84 0 0 | | |
| 53 | 7 | „ 10 W. H. Jackson | David Sandell | Giles & Co. London | Barclays | 1 Feb | 3 Mos | 4 May | 115 10 6 | | |
| 108 | 8 | „ 16 Dodson & Co. | Clarke & Lewis | T. Cross, Bristol | Robarts | 1 Feb | 2 Mos | 4 April | 77 15 0 | | |
| 17 | 9 | Mar 1 Richard Dixon | Richard Dixon | Edward Ball | 6, Fleet-st. | 25 Feb | 3 Mos | 28 May | 118 7 6 | | |
| 304 | 10 | „ 3 Benjamin Tipper | Alexander & Co. | Wood & Co. | 57, Minories | 1 Mar | 2 Mos | 4 May | 27 12 6 | | |
| 51 | 11 | „ 4 C. J. Westley | C. J. Westley | Hy. Lacey, Liverpool | Glyn & Co. | 1 Mar | 4 Mos | 4 July | 104 9 3 | | |

To each part there is a column for the number, and the bills are numbered consecutively, beginning with No. 1; and when the bill is posted to the proper account in the Ledger, the number is inserted in the folio column. Every column has a printed head, which explains the object for which it is intended. The "BILLS PAYABLE," as its name implies, contains the particulars of all the liabilities for which you have given your promise or acceptance. If you turn to the specimen page, you will perceive that the first bill is drawn by MAGNAY, BROTHERS, at three months, for £400. The left-hand column contains the folio of the Ledger where the drawers are charged with the amount; and as it was accepted payable at the Bankers', the column on the extreme right contains the Ledger reference where the Bankers are credited with the amount. If you do not keep a Bankers' account, of course you make it payable at your place of business, and then the folio of the "Cash-Book" is inserted which contains

the payment, as is done with the next bill in the specimen page. The other columns are merely to describe the bill; they explain themselves. It is usual to have only a narrow column for "*When Due*," to write the month and date into, as is done in the "Bills Receivable," but it is much better divided into months, as you then see at one glance how many acceptances you have to meet in each month. The "BILLS RECEIVABLE," as its name signifies, contains the particulars of all bills drawn by you on others, as well as those which have been endorsed to you, whether held, or subsequently paid away. Every Bill Receivable that has passed through your hands in the way of business must be entered here. The column on the left-hand contains the folio of the Ledger where the parties from whom you received the bill are credited with the amount, and in the column on the right-hand is inserted the folio of the book which contains the particulars as to how the bill was disposed of.

If you look to the specimen page of the

Bills Receivable, you will see how the first three bills are entered and accounted for, and every bill must be traced through in a similar manner. It is unnecessary to occupy more space in describing this book, as I am sure you will perceive that it is merely a record of legal promises and acceptances "Inwards" and "Outwards."

I have now fully described the four important books that are indispensable to every trader, and have explained the other five which are useful to some only. Of the Day-Book, Invoice-Book, Cash-Book and Bill-Book, and Ledger, I have given specimens, that you might *see* as well as comprehend the manner of using them; and I have so minutely described the others, that you cannot possibly misunderstand their use. However, that there should be no mistake on the subject, a diagram is prefixed, showing all the books that can ever be required, and the manner in which the entries in each flow onwards, till the whole result is ultimately centralised in the Ledger.

## PRACTICAL REMARKS.

In the introductory observations I briefly pointed out some of the evils that result from neglecting the great art of Book-keeping. I there described, in a clear though concise manner, what that art really is, and have demonstrated by specimens of each book that, by the easiest and simplest means, a person may at all times obtain an accurate balance-sheet of the exact position of his business affairs. I shall now offer a few practical instructions as respects Accounts, Trade, Book-keeping, Stock-taking, and Balancing, which have been acquired by long experience and close observation, and are calculated to protect you from that disorder which generally prevails where a proper system is neglected.

When you commence business, credit yourself with the capital you have brought in, because the business is as much *indebted* for it as though it were borrowed from a stranger. Your name will then stand in the Ledger with those of the other creditors, and

all the money drawn out by you for your private expenses will be charged to you in a similar manner. At the end of the year, when you have passed the net profit to your account in the way already described, if you have not withdrawn an equal amount, your capital is increased by all the difference. Take care that you do not spend the whole of your income: profit is fickle and uncertain, but ever while you live, expense is constant and certain; limit therefore, if possible, your private expenses to one-half or two-thirds of your earnings. If you do not like to have your private account, and those nominal accounts which display the secrets of your trade and show your profit, posted into the general Ledger to which all your clerks or young men may have access, you can have them in a small private Ledger, with lock and key, to keep in your desk. Be particularly careful over your "Trade Charges;" keep no more labourers than are absolutely necessary to carry on your business, and avoid law charges, removals, and unne-

cessary alterations and repairs. It matters not how large your profits may be on particular transactions, for unless you keep down the expenses, the whole will be absorbed. Insure your stock, materials and furniture, for their full value, charging the insurance to business expenses, taking care to select a safe or old-established office that is known to be prompt in paying losses. If you are so unfortunate as to make a bad debt, and a meeting of creditors is called, accept the first offer. When an honest man is in difficulties, he is naturally anxious to avoid a public exposure by Insolvency or Bankruptcy, and will make a strong effort, by offering a large dividend, to effect a compromise with his creditors. If this be refused, or even delayed, the business becomes crippled, the debtor indifferent, and the property is gradually wasted by protracted negociations and law expenses. Should the Insolvent Court or Gazette be ultimately resorted to, the whole estate is, in nine cases out of ten, swallowed up, and an unfortunate trader is perhaps denounced as a cri-

minal when he has only been ignorant or careless. And here let me observe, that a correct system of Book-keeping is of great advantage even to those who fall into difficulties and embarrassments. It not only enables the party to exhibit a correct balance-sheet to his creditors, but wins for him their sympathy and confidence — for if it can be shown that his losses arise from bad debts, dull trade, heavy expenses, depreciation of stock, or such like causes, ample time is usually granted for paying in full, or a composition is readily accepted. When monthly or quarterly statements of accounts are delivered, do not put them away with the bills of parcels, but fold them into a neat shape, with the name written on each, and tie them all together with a piece of tape. Keep them in your desk, or in a drawer near you, that when wanted you may easily lay your hand on them. Never receive goods without a bill of parcels; rather than do *that*, send them back, or make out one yourself: it will save you trouble in the end. If you

receive goods into stock without an invoice, your balance of profit will be false, and the credit accounts in your Ledger incorrect. When you receive an order, execute it promptly; this begets confidence, and shows that your business is well attended to. It will also increase your trade, for when goods are wanted in a hurry, you will be certain to have the preference; whereas the dilatory tradesman, who has frequently disappointed a customer, can neither expect to receive further orders nor to be recommended. Deliver your accounts as often as possible, without violating the usage of your trade or giving offence to your customers, and when due, lose no time in endeavouring to collect them. Tradesmen make many bad debts, and sustain great pecuniary loss, entirely through neglect in not promptly collecting their accounts. Remember, that when an account is over due, you are *lending* the party the *money* without interest. On the other hand, pay what you owe the very day it becomes due. Punctuality establishes confidence; con-

solidates your credit, preserves your independence, and conceals your poverty. Always buy for cash if possible, but if not, at a short credit; for unless you buy well you cannot successfully compete with your fellow-tradesmen. If it be the custom of your trade to accept bills for goods bought, do so without reluctance; but be careful not to buy too much. Some honest well-meaning persons have so strong a horror of a Bill of Exchange, as to be unwilling to "accept" even for what they owe. Such unwillingness must proceed from ignorance of the usages of commerce, or is an ingenious artifice to get a little longer credit; but whatever may be the cause of the objection, it injures instead of benefiting the person who makes it. One of the many advantages which a Bill of Exchange possesses is, that it settles the amount to be paid, and fixes the exact day for payment. If, then, you buy goods to be settled for by a bill at three months (and every trade has its peculiar usage, which is always implied, and sup-

posed to be understood by the purchaser), and do not perform your conditions, but take perhaps four or six months' credit, besides giving a person the trouble to call repeatedly for a settlement, you must expect to *pay* for the trouble and risk incurred by such an account as yours. And if you pay more for goods than your competitors do, you must either sell at a less profit, or lose your trade altogether. But even if you pay the account when due, if it be the custom of your trade to draw for the amount, your account is not so well worth having as if you "accepted" for it. The money locked up in your debt is entirely useless to the parties till the account is settled, but a Bill of Exchange is *convertible capital,* and enables the holder instantly to commence another operation.

But however prompt you may be in accepting for what you owe, take care that you never give your acceptance but for value received. Accommodation Bills must in the end ruin both drawer and acceptor. If a

tradesman has not sufficient capital without having recourse to fictitious bills, let him do less business. Be assured that no rate of profit will justify raising money by such a process; interest, stamps, and commission, must absorb all the profit that can be got by carrying on trade with capital raised by these means. Most wholesale, and some retail trades, where the returns are large, are carried on at a net profit of not more than 5 per cent.; and if 15 per cent. interest be paid for capital to earn 5, it is clear that the more business there is done, the sooner will ruin follow. When one Accommodation Bill is called into existence, another, larger, must follow, to cover the interest and principal of the first when at maturity; the third, still larger; and thus, expanding and increasing like an angry flood, the fictitious system continues, till its accumulated weight ultimately bursts upon all parties, and engulphs them in bankruptcy and ruin.

Before I bring these observations to a close, I must explain the nature of Stock-*taking,* which operation is the test where-

by you prove the correctness of your Book-keeping. At what period of the year this is done matters not, but it should be done at least once a year. Bankers, merchants, and wholesale dealers, generally take stock and balance their accounts at Christmas, but any other time will answer the purpose equally well. If the nature of your business will allow it, I think Midsummer is to be preferred, as the long days enable you to get through the work much more quickly. If you look at the specimen of the "Stock Account" at page 59, you will perceive that you cannot balance that account until you have ascertained the exact value of your stock in trade, raw materials, machinery, implements, fixtures, lease of premises, &c. For this purpose you must have a book, about the thickness of a quire of foolscap, and therein make an inventory of everything of value appertaining to your trade or manufactory. Begin first with your stock in trade, describing the quantity of each article, and carrying into a money column the value of each lot. When you

have entered all the goods and materials, cast up the columns, and make a total of the whole. Do not estimate their value at what the goods originally cost, but at what they would sell for if you were at that moment to dispose of them. Proceed next with your tools, implements, waggons, carts, and machinery, deducting every year from their original cost 10 per cent., or some other adequate sum, for depreciation, and make a total of these items. Next follow with the fixtures—shop, counting-house, and gas-fittings—and lease of premises, if worth anything. Add the totals of these three descriptions of property together, and you obtain a correct knowledge of the value of your stock, materials, and fixtures. When you have ascertained the result, you are enabled to balance all the nominal accounts in the Ledger, and to carry the net profit to your private account, as has already been fully explained. However, before this is done you must proceed to *prove* that the amount which you intend to carry to your own *credit* as a year's net profit is the correct

amount, and that no blunder or mistake has been made in your Book-keeping. For this purpose, cast up all the open accounts in your Ledger with pencil, and ascertain the exact sum each will require to make the debit and credit side equal. Then take a small memorandum-book, and on the left-hand side insert the names of all those persons to whom you are indebted, with the amount of the balance owing, and the folio of the Ledger where the account is to be found. It must be a correct statement of all that your trade or business owes, and therefore must include your own account, and the Bills Payable that have not arrived at maturity. On the right-hand side insert a *contra* list of all those who are indebted to you, with the exact balance owing, including, of course, the cash at the Bankers'. At the bottom add the Cash and Bills Receivable that remain in the cash-box, and the value of your Stock and Materials, and the sum required to make the two sides equal will be the exact sum shown as net profit in the "Profit and Loss" account. Thus:—

## *Dr.* *Balance.*

| | | £ | s. | d. |
|---|---|---|---|---|
| 10 | To (yourself, or each partner) Capital | 3,560 | 0 | 0 |
| 198 | „ Henry Nicholson | 135 | 10 | 6 |
| 215 | „ John Evans | 334 | 0 | 0 |
| 1 | „ Horsley Iron Company | 736 | 5 | 3 |
| 121 | „ Thomas Richardson | 53 | 12 | 2 |
| 201 | „ Child, Coles & Co. | 83 | 12 | 6 |
| 214 | „ Frederick Lucas | 96 | 3 | 8 |
| 3 | „ Gardner & Co. | 71 | 15 | 3 |
| 57 | „ Edward Pickering | 130 | 3 | 4 |
| 36 | „ Renshaw & Kirkman | 43 | 10 | 6 |
| 264 | „ Herring, Dewick & Co. | 163 | 12 | 4 |
| 93 | „ Charles Candy & Co. | 217 | 17 | 6 |
| 152 | „ Westleys & Clark | 15 | 10 | 6 |
| 8 | „ Thomas Kelly | 58 | 16 | 1 |
| 164 | „ Treacher & Co. | 173 | 18 | 9 |
| 33 | „ Robert Scholey | 52 | 12 | 6 |
| 53 | „ Baynes & Son | 81 | 15 | 4 |
| 212 | „ Houlston & Stoneman | 126 | 15 | 2 |
| 194 | „ Bradbury & Co. | 72 | 4 | 8 |
| 11 | „ Oliver, Watson & Co. | 17 | 12 | 6 |
| 311 | „ Coopers, Stringer & Co. | 162 | 11 | 3 |
| | BILLS PAYABLE. | | | |
| 4 | Magnay & Co. £167 5 6 | | | |
| 5 | John Evans 210 3 4 | | | |
| 6 | Baring & Co. 150 0 0 | | | |
| 7 | Magnay & Co. 443 4 7 | | | |
| 8 | Williams & Co. 190 12 6 | | | |
| 9 | Tanner & Co. 120 0 0 | | | |
| 10 | Magnay & Co. 212 16 1 | | | |
| 11 | Wood & Sharwoods 115 13 6 | | | |
| | | 1,609 | 15 | 6 |
| | | £7,937 | 15 | 3 |

*Contra.* *Cr.*

| | | £ | s. | d. |
|---|---|---|---|---|
| 260 | By Union Bank ..... | 726 | 10 | 1 |
| 25 | „ Leaf, Son & Coles ..... | 326 | 12 | 1 |
| 30 | „ Bedwells & Yates..... | 43 | 17 | 8 |
| 35 | „ Crawshay & Co. ..... | 273 | 11 | 6 |
| 42 | „ Neville, Sons & Rossell ..... | 211 | 13 | 9 |
| 66 | „ Yeats & Acocks ..... | 6 | 0 | 0 |
| 90 | „ Whittaker & Co. ..... | 197 | 15 | 3 |
| 94 | „ Herring, Brothers ..... | 115 | 18 | 3 |
| 124 | „ Pickford & Co..... | 140 | 0 | 0 |
| 128 | „ Munt & Brown ..... | 310 | 16 | 0 |
| 150 | „ Chapman & Hall..... | 305 | 0 | 0 |
| 113 | „ Thomas Davies..... | 169 | 10 | 6 |
| 312 | „ Joseph Hanley ..... | 32 | 9 | 6 |
| 265 | „ John Thwaites ..... | 209 | 12 | 1 |
| 114 | „ William Watson ..... | 77 | 10 | 3 |
| 314 | „ Richard Parker ..... | 210 | 9 | 9 |
| 242 | „ Samuel Baylis ..... | 179 | 0 | 0 |
| | „ Cash on hand ..... | 15 | 17 | 6 |
| | BILLS RECEIVABLE. | | | |
| 4 | Samuel Baylis..... £136 4 3 | | | |
| 5 | Ditto ..... 74 5 0 | | | |
| 6 | Ditto ..... 84 0 0 | | | |
| 7 | W. H. Jackson ..... 11[illegible] 10 6 | | | |
| 8 | Dodson & Co..... 77 15 0 | | | |
| 9 | Richard Dixon ..... 118 7 6 | | | |
| 10 | B. Tipper ..... 27 12 6 | | | |
| 11 | C. J. Westley ..... 104 9 3 | | | |
| | | 738 | 4 | 0 |
| 59 | STOCK AND MATERIALS ..... | 2,634 | 16 | 0 |
| | Balance ..... | 1,012 | 11 | 1 |
| | | £7,937 | 15 | 3 |

I have said that the two sums *will be* exactly the same, but if they agree within a few pounds, it will be near enough for your purpose, and you may carry the amount as shown by "Profit and Loss" to your credit. If, however, they differ very widely, you may be certain that some error has crept in, which you must immediately set to work to detect. Having discovered the mistake, and balanced your Ledger, even if your profits turn out to be less than you expected them to be, you have the satisfaction of knowing that your affairs are no longer involved in obscurity and uncertainty; that your income is not the creature of wild conjecture or visionary hypothesis, but has been proved to be real by arithmetical demonstration, and rests on the solid basis of truth.